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# FARMING IN CHALLENGING ECONOMIC TIMES

Publication  
Number  
31-095C  
(June 2009)

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*Set your sights on your potential, not your problems. You'll be amazed what you see.*

## KEY STRATEGIES TO IMPROVE YOUR BOTTOM LINE

### 1. BASIC ECONOMIC QUESTIONS:

How much do you need to live on?

How much of that income needs come from farming?

What is your debt load? What kind of capital do you have access to?

How will you manage seasonal ups & downs (cash flow)?

2. **BUSINESS PLAN:** If you do not have one, *write one now*. If you have one, update it to reflect your current activities and situation. (See *Elements of a Farm Plan* at end of document.)

### 3. FRUGALITY:

Every decision has an economic consequence.

Stop or reduce discretionary spending, both farm & personal.

Labor vs. infrastructure: look at costs & return on investment for every decision to spend.

Keep track of how much time you spend on each task in an enterprise and be sure there is a return for the labor invested.

4. **RECORDS:** Records are necessary for your peace of mind.

- \* Sales, business, expense records
- \* Mileage for each enterprise
- \* Planting dates, numbers, yields
- \* Weather
- \* Market records [sales, customer traffic, weather, etc.]
- \* Record work time by activity and person.

### 2. PLANNING:

Take a good look at the scale of your operation. If you are much more efficient than your workers, but you are spending all your time as a supervisor, are you being as productive as you could be?

Use your records to determine what your product sales amounts were for each 2 or 4 week period during your season, plan your planting and crop production schedule based on that.

Use a cost study to get a handle on the costs of production.

Reexamine your crop choices and:

- \* Think about planting more basics.
- \* Look for market windows and use your microclimate to fill them.
- \* Look for labor windows – when you might have time to add another crop.
- \* Consider season extenders – before & after the primary crop season or consider winter/spring crops.

Do your crop math: figure out from seed packets, nursery catalogs, suppliers how much crop you will have; what it costs to



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produce it and what you think you will need to meet the demands of your clientele.

Project yields and returns at different price points. Plant according to your yield projections—don't plant more than you need, but leave some room for error.

6. **MAXIMIZE YOUR OPPORTUNITIES TO SELL**

Look at the cost of diversifying your market outlets—would it be cost effective?

Reassess your sales/marketing practices and etiquette—what can you learn from other growers?

If you are at the market, be sure you are ON.

Who is the best sales person for your product?

7. **REASSESS LABOR COSTS AND NEEDS:**

**Maximize the value from labor:** you are the most expensive labor on the operation—should you be doing all the low level labor if more skilled tasks are not getting done?

If you have employees, can you afford to keep them all and keep your costs of production within your margin with the prices your customers will pay?

**ELEMENTS OF A FARM BUSINESS PLAN**

1. **EXECUTIVE SUMMARY**

2. **MISSION STATEMENT:** brief statement of your purpose, business, values.

3. **BUSINESS CONCEPT:** your product, its uniqueness, your target market, how you fit into the markets in the area

4. **OPERATIONAL CHARACTERISTICS & PLAN**

Physical Resource Inventory & Plan, including a map

Human Resource Inventory & Plan

Potential crops & Production Plan

Timeline for farm development

Agencies, references, resources consulted or to consult

Transition Plan

Emergency Plan

5. **GOALS AND OBJECTIVES:** a realistic list of tasks, decisions to be made, actions

6. **BACKGROUND INFORMATION:** summarize market research and analysis, trends in the larger ag industry.

7. **MANAGEMENT AND ORGANIZATIONAL STRUCTURE:** how you run your business; management, staff, legal structure, insurance.

8. **SALES & MARKETING PLAN:** how do you plan to market your product?

*Product or service marketing plan*

*Plan for marketing "the business"*

9. **FINANCIAL PLAN:**

Current Financial Assessment

Strategic Analysis and Proposed Alternatives

Existing debt & repayment schedules

Financing needs: projections for proposed alternatives

Fixed assets, start-up costs

Risk management plan

Financial monitoring and control plan: cash flow forecast

Financial documents to include: 1) profit and loss statement 2) balance sheet including assets, liabilities and net worth 3) cash flow projections including sales projections and assumptions.

10. **APPENDIX:** supporting documents

***Make no mistake, farming is an economic enterprise!***